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SUBJECT: CROSS-STRAIT ECONOMIC ROUNDUP - THIRD QUARTER
2004

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SUMMARY

¶1. During the third quarter of 2004, the PRC legalized tourism to Kinmen and Matsu for all Fujian residents. Taiwan legalized 81 product categories for import from the PRC. However, most are agricultural goods that will still be restricted for lack of cross-Strait sanitary and inspection agreements. Taiwan also decided to allow a fifth PRC media outlet to station reporters in Taiwan. End Summary.

TRAVEL AND TRANSPORTATION

¶2. PRC LIBERALIZES MINI-LINKS TOURISM: Fujian Deputy Governor Wang Mei-xiang told visiting Kinmen County Commissioner Lee Juh-feng and Taiwan Legislator Wu Cheng-dian on September 16 that Fujian would remove restrictions on the travel of Fujian residents to Kinmen and Matsu for tourism. Taiwan had lifted its tourism ban on Fujian residents in 2001 in order to boost economic development for Kinmen and Matsu. Taiwan's Mainland Affairs Council (MAC) in response announced on September 26 a few small measures to expand the mini-links. Notably, MAC will allow Taiwan's colleges and universities to open Executive MBA programs in Kinmen and Matsu for employees of Taiwan firms in the PRC.

¶3. GREEN BUSINESSMAN DENIED VISA: Lin Wen-yuan, Chairman of Taiwan's state-owned China Steel, was denied an entry permit to visit the PRC. Taiwan's local press speculated that Lin's close ties with President Chen Shui-bian were the cause. Lin had visited China last November to inspect investments there. Because Lin is also the Chairman of Taiwan Steel and Iron Industries Association, the move may have impeded consultations on the PRC's investigation of Taiwan's alleged iron and steel dumping. In January 2004, China imposed anti-dumping duties of up to 55 percent on cold press steel plate from Taiwan, South Korea, Ukraine and Russia. The PRC announced in May that it would reevaluate the anti-dumping duties. Taiwan exported almost USD 1.2 billion worth of iron and steel to the PRC during the first half of the year.

¶4. TAIWAN TIGHTENS CONTROL OF MINI-LINKS: Because authorities believe many unqualified travelers take advantage of mini-links travel available to Taiwan's small businesses with investment in the Mainland, the Bureau of Immigration and the Investment Commission tightened the review process for travelers. Taiwan travelers must now show PRC business licenses and PRC approved investment plans before traveling. Separately, two members of the Control Yuan, one Taiwan's five branches of government with oversight functions similar to an Inspector-General or the Government Accountability Office, visited Fujian via Kinmen and Matsu on August 23 to inspect the mini-links operation, investigating complaints of customs clearance and other travel inconveniences. It was the first Control Yuan inspection of the mini-links.

¶5. LOW INTEREST IN TAICHUNG TRANSSHIPMENT: After more than two months of operation, only one vessel, a Yangming Marine Transport Corp. ship, had taken advantage of the new Taichung offshore transshipment center with a voyage directly to Shanghai, according to Taichung Harbor Administration. Observers blame low interest on the Taiwan's government prohibition of Taichung-Fuzhou and Taichung-Xiamen routes.

TRADE AND INVESTMENT

¶6. MORE IMPORT BANS LIFTED: On September 4, Taiwan's BOFT eliminated import bans on 81 PRC products. Nine categories of manufactured goods such as portable outdoor gas grills

were legalized. The remaining 72 categories are agricultural or fishery products legalized to comply with WTO standards. However, because there are no cross-strait sanitary and inspection agreements, these new categories of agricultural products are still unable to enter Taiwan's market. Access for these categories is unlikely without cross-Strait negotiations.

17. PRC ANTI-DUMPING MOVE: The PRC's Ministry of Commerce announced on August 27 that it would impose an antidumping duty on yarn of nylon and textured yarn of nylon imported from Taiwan. More than 13 Taiwan firms were affected. According to Taiwan Customs, the PRC is Taiwan's largest export market for these nylon products, accounting for over 70 percent of exports. The PRC had previously imposed antidumping taxes on caprolactam (CPL), a chemical used in the manufacture of synthetic fibers, including nylon.

18. NEW SERVICE SECTOR INVESTMENTS: Following the PRC's approval of its insurance joint venture in Shanghai, Cathay Life Insurance Co., Ltd., Taiwan's leading life insurance company, dispatched some 40 Taiwan professionals to Shanghai for marketing, training and logistics. It plans to expand its Shanghai site to employ over 60 Taiwanese employees. On a separate note, the PRC approved on August 10 the establishment in Dongguan, Guangdong province, of the first Taiwan-owned hospital in the Mainland. Taiwan investors in Dongguan will own 80 percent of the hospital, and Taiwan's Cheng Hsin Rehabilitation Medical Center will own the remaining 20 percent. Construction is scheduled to begin in November.

19. PRC COURT ACCEPTS TAIWAN ARBITRATION RESULTS: On August 19, the settlement of a dispute between two Taiwan investors regarding a property in Xiamen that had been mediated in Taiwan by the Chinese Arbitration Association, Taipei (CAA) was honored by a Xiamen court and implemented. CAA says this marks the first time that the result of a cross-strait commercial dispute mediated by CAA has been accepted and implemented by a PRC court and indicates the protection of cross-strait commercial activities is improving.

110. TELECOM COMMERCIAL COOPERATION: Taiwan's Chunghwa Telecom and the PRC's China Telecom jointly announced cross-Strait private line services available to enterprises located in Suzhou, Taipei, Kaohsiung and Tainan. The service may be expanded soon to other areas such as Beijing, Shanghai, Guangdong, Shenzhen, Xiamen and Dongguan.

EXCHANGES AND CONTACTS

111. MAC APPROVES PRC NEWS SERVICE: On July 27, the MAC announced that it would approve a fifth mainland media, China News Agency (CNA), to station reporters in Taiwan on a trial basis. CNA can post two reporters for two months, after which the MAC will make a final decision on whether the agency can stay.

112. IPR VISIT UNDERSCORES STEADY FLOW OF EXCHANGES: The pace of people-to-people exchanges across the Strait continued unabated during the quarter. Notably, a 20-member PRC delegation made up of judges and officials of the Taiwan Affairs Office and Bureau of Trademarks traveled to Taiwan to meet with Taiwan's Intellectual Property Office to discuss trademark protection. Liu You-mei, a member of the PRC's Chinese People's Political Consultative Conference also visited Taiwan to attend a railroad construction and technology conference. Other highlights included Taiwan Strait Shipping Association Chairman Chen Ting-hui, Taiwan Electrical and Electronic Manufacturers Association Chairman Rock Hsu, and Taiwan's Petrochemical Industry Association Chairman Chiou Huai-hsin traveling separately to the Mainland. In addition, numerous conferences and trade shows were held on each side with cross-Strait participation. Many focused on cross-Strait relations, but other Topics ranged from wireless local area networks to Chinese opera.